# Attachment II

## REPRODUCTION OF Aplus/SUNOCO STORE MANAGER LETTER

**Aplus**
**mini markets**

Ten Penn Center
1801 Market Street
Philadelphia, PA 19103-1699

**Aplus**
**EXPRESS**

October 7,1996

RE: *NEW CIGARETTE MERCHANDISING PROGRAM*

Dear APlus/Sunoco Food Franchisee and Store Manager:

It is our distinct pleasure to announce a major new ***Cigarette Merchandising Program*** featuring R.J. Reynolds and Philip Morris.

**Category Management Leadership Means Growth**

This lucrative program is an outgrowth of our category management initiatives and deepening focus on core categories to provide merchandising leadership with innovative, profit producing programs for our stores.

This innovative program was a result of vigorous category analysis and testing a dual partner merchandising format. Armed with this information, we ultimately negotiated this program tailored specifically for us with the two category leaders, R. J. Reynolds and Philip Morris.

**Your Largest Category Just Got Larger**

This new program combines a better mix of products...a better merchandising plan...better display units...and better vendor allowances ---to add sales, and profits to your cigarette department.

**Tested Sales Results**

In two separate tests, the dual company approach increased overall cigarette category sales by 20% of more. (These tests were conducted in two Company Operated stores. Cigarette sales from our existing program were measured and compared to the sales from the dual company approach in which R.J. Reynolds and Philip Morris products were featured. While overall cigarette pricing remained constant, the recommended promotional programs of both companies were implemented.)

**Test Store Results**

Sales (Cartons per week)

| | Before | After | Unit Change | % Change |
|---|---|---|---|---|
| Store A | 154 | 185 | +31 | +20% |
| Store B | 163 | 198 | +35 | +21% |

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Source: https://www.industrydocuments.ucsf.edu/docs/ymby0000

**Better Merchandising Means Better Sales**

A cornerstone of this program is to feature what sells.

* For example, Marlboro which spends over $100,000,000 annually in advertising, has a 50% share of the C-Store Market.

* However, Marlboro only has a 37% share of the APlus/Sunoco Food markets.

* Marlboro is currently underrepresented and undermerchandised at APlus/Sunoco Food Markets---leading to loss of impulse purchases and p promotional activity.

* The new program, based on a careful factual analysis of the cigarette category is intended to correct this imbalance by focusing on the brands - including Marlboro - that are driving consumer demands and sales.

**The Best of Both Worlds**

This uniquely structured program has enabled us, for the first time ever, to enter into income producing merchandising agreements with both R.J. Reynolds and Philip Morris.

You not only have the right product mix and merchandising practices, partnering with these category sales leaders--you can enjoy far greater merchandising display income than previously feasible.

***EXAMPLE***
***RDA Program***
***Store A - (Self-Service)***

| | Old Program | New Program | | Total |
|---|---|---|---|---|
| | RJR | RJR | PM | |
| Cartons Per Week | | 64 | 65 | |
| Maximum Total Monthly RDA | $ 260 | $200 | $184 | $ 384 |
| Annual | $3,120 | | | $4,608 |

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Source: https://www.industrydocuments.ucsf.edu/docs/ymby0000

***EXAMPLE***
***RDA Program***
***Store B - (Non-Self-Service)***

| | Present Program RJR | New Program RJR | PM | Total |
|---|---|---|---|---|
| Maximum Total Monthly RDA | $ 55 | $115 | $ 92 | $ 207 |
| Annual | $ 660 | | | $2,484 |

## Additional Revenue Opportunity

The combination of the elevated RDA allowance and a 20% sales increase equaling the test stores--could result in $9,350 in additional revenue. And that's from a single category. This incremental revenue contribution breakdown is delineated in Exhibits A, B, C and D.

## It's Now Up To You

We believe that the program has positioned us to reap these significant revenue benefits.

→ However, it is imperative that you strictly adhere to the merchandising requirements contractually agreed to with R.J. Reynolds and Philip Morris.

→ These requirements can be found in Exhibit E and must be read thoroughly and fully understood and implemented.

→ It is important to note that the existing R.J. Reynolds overhead cigarette merchandisers have been acquired by the Sun Company, Inc. (R&M). This fixture is provided to you at no cost and is the property of Sun Company, Inc. (R&M). This fixture will be used only for non cigarette advertising in the future. Advertising inserts are being produced to replace the existing advertising by APlus/Sunoco Food marketing. Normal maintenance of the fixture will continue to be provided to you at no cost. All other cigarette fixtures will be provided by R. J. Reynolds and Philip Morris.

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Source: https://www.industrydocuments.ucsf.edu/docs/ymby0000

**How Do I Get Started?**

You will be contacted by R. J. Reynolds and Philip Morris Sales Reps. in the next few weeks to set up your program and discuss the agreed upon plan-o-gram which works best for your store.

The display fixtures will be available to ship during November. R. J. Reynolds fixtures will be distributed from McLane. Philip Morris fixtures will be shipped directly from Philip Morris.

Should you have any questions, please contact your Sales Representatives.

Rarely do we have an opportunity to impact revenue in such a magnitude. This new ***Cigarette Merchandising Program*** deserves your utmost attention to ensure that it is completely and properly implemented and maintained.

**The program is in place and it is now up to you to maximize the results!**

**Good Selling!**

| | | |
|---|---|---|
| **Joe Telecsan** | **Rick Sloan** | **John Steel** |
| **Category Manager** | **Manager** | **Franchise Manager** |

**Attachments**

**cc:** **C-Store Dept.**
**All Food Sales Personnel via cc: mail**

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Source: https://www.industrydocuments.ucsf.edu/docs/ymby0000

Exhibit A

# RDA Program
## (Self-Service)

| | Present Program | New Program | |
|---|---|---|---|
| R. J. REYNOLDS | | *RJR | **PM |
| Counter Display | $ 175 | | |
| Floor Display | 45 | | |
| Doral Display | 40 | $200 | $184 |
| Total | $ 260 | $384 | |
| Annualized | $3,120 | $4,608 | |

* After 12 months, payment will increase to $230 per month provided that the chain store average 64 cartons of R. J. Reynolds product per week.

** Calculated at a per chain store average of 65 cartons per week. Should chain store average move to 78 cartons per week, then payment increases to $217.

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Source: https://www.industrydocuments.ucsf.edu/docs/ymby0000

Exhibit B

# RDA Program
## (Non-Self-Service)

| | Present Program | New Program | |
|---|---|---|---|
| R. J. REYNOLDS | | RJR | PM |
| Counter Display | $ 55 | | |
| Floor Display | -0- | | |
| Doral Display | -0- | $115 | $ 92 |
| Total | $ 55 | $207 | |
| Annualized | $660 | $2,484 | |

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Source: https://www.industrydocuments.ucsf.edu/docs/ymby0000

Exhibit C

# Coexistence Store Sales and Margin Impact

| Present Weekly Volume | 180 Cartons Per Week | | |
|---|---|---|---|
| Sales Increase % Per Week: | 10% | 20% | 25% |
| Carton Increase Per Week: | 18 | 36 | 45 |
| $ Sales Increase Per Week: | $360 | $720 | $900 |
| Annual Incremental Sales | $18,720 | $37,440 | $46,800 |
| Annual Incremental Gross Profit | $ 3,931 | $ 7,862 | $ 9,828 |

*Assumptions*

Store averages 180 Cartons per Week.
Carton Retail is $20.00.
Carton Gross Profit is $4.20.

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Disclaimer: The amounts and examples used on the aforementioned pages for estimated profits, re examples, ONLY. SUNOCO makes no claim that if such amounts are used or formulas followed, the estimated gross margin(s) will be achieved. Franchisees are free to establish their own retail.

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Source: https://www.industrydocuments.ucsf.edu/docs/ymby0000

Exhibit D

# 1996 - 1997 CIGARETTE PROGRAM

| | Potential Annualized Per Store Impact |
|---|---|
| Incremental RDA Funding | $1,488 |
| Incremental Gross Profit | $7,862 |
| Total Incremental Impact | $9,350 |

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Source: https://www.industrydocuments.ucsf.edu/docs/ymby0000